

IOM Quarterly Report
Final - For NJ DOS
April 1, 2021

Integrity Monitor Firm Name:
Engagement:
Quarter Ending:

K2 Integrity
New Jersey Department of State's Integrity Oversight Monitorship
April 1, 2021

No.	Recipient Data Elements	Response
A. General Info		
1.	Recovery Program Participant	Division of Election ("DOE" or "the Division") within the New Jersey Department of State ("NJ DOS")
2.	Federal Funding Agency? (e.g. CARES, HUD, FEMA)	Section 5001 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") COVID-19
3.	State Funding (if applicable)	N/A
4.	Award Type	Coronavirus Relief Funds ("CRF") received from New Jersey Department of Treasury ("Treasury") for allocation to the counties for the General Election of 2020
5.	Award Amount	The Division budgeted and received \$25 million of CRF, of which \$24,181,321 was allocated to 18 counties for the COVID-19 General Election of 2020 Grant Program ("Grant Program")
6.	Accountability Officer	Jacqueline Kemery, Chief Financial Officer and Grants Manager for NJ DOS
7.	Brief Description, Purpose and Rationale of Integrity Monitor Project/Program	The Division entered a Memorandum of Understanding ("MOU") in or about October 16, 2020 with the Dept. of Treasury, which allowed the Division to receive and disburse \$25 million of grant funds to various counties for the 2020 General Election. NJ DOS engaged K2 Integrity ("K2") pursuant to K2's proposal dated January 20, 2021, and in accordance with the terms of Governor Murphy's July 17, 2020 Executive Order No. 166 (EO-166), the requirements of the August 2020 Integrity Oversight Monitor Guidelines issued by the State of New Jersey COVID-19 Compliance and Oversight Taskforce (IOM Guidelines), and the procedures established by the Request for Quotation issued by the Division of Administration, Department of the Treasury for Integrity Oversight Monitoring: Program and Performance Monitoring, Financial Monitoring and Grant Management and Anti-Fraud Monitoring for Coronavirus Relief Funds pursuant to Section 5001 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act COVID-19 Recovery Funds and Programs (IOM RFQ).
8.	Contract/Program Location (if applicable)	NJ DOS 20 West State Street 4th Floor Trenton, New Jersey 08608 or PO Box 304 Trenton, New Jersey 08625-0304
9.	Amount Expended by Recovery Program Participant to Date	Of the \$25 million of CRF, the Division expensed \$24,181,321, which was allocated to 18 counties for the Grant Program
10.	Amount Provided to other State or Local Entities	The Division allocated \$24,181,321 to 18 counties in the state of New Jersey for the Grant Program
11.	Completion Status of Contract or Program	December 15, 2020
12.	Expected Contract End Date/Time Period	December 15, 2020
B. Monitoring Activities		
13.	If FEMA funded, brief description of the status of the project worksheet and its support.	N/A - The Grant Programs are not Federal Emergency Management Agency ("FEMA") funded.
No.	Recipient Data Elements	Response

14.	Quarterly Activities/Project Description (include with specificity activities conducted, such as meetings, document review, staff training, etc.)	<p>The Integrity Oversight Monitor ("IOM") contract was structured as a short-term review of the use of CARES Act funds for the Grant Program established by the Division. The Grant Program provided reimbursement to counties of eligible expenses already incurred due to the Covid-19 pandemic, in connection with the General Election of 2020. DOE disbursed funds under the Grant Program from September 22, 2020 to December 15, 2020.</p> <p>The Division issued the General Election 2020 Grant Program Application Guidelines and the Workflow Procedures for CRF Funds (collectively "Grant Guidelines") to assist counties in understanding what the CRF funds could be used for and the application process. To receive these funds, a county was required to submit an application for reimbursement with the required information and appropriate signatures, itemized spreadsheets for each of the expenditure categories, and any supporting documents. The Executive Deputy Director at DOE collected all the reimbursement applications, reviewed the grant applications for accuracy and eligibility, communicated with the sub-recipients, requested the release of grant funds, and submitted request for payment to the Chief Financial Officer and Grants Manager for DOS ("CFO"). The CFO processed the payments for reimbursement and submitted reports to Treasury on the spending of the grant funds.</p> <p>The IOM's role was to ensure that the Division is adhering to the MOU, applicable federal and state guidelines, and regulations with the CRF grant. The following deadlines governed the IOM's activities and submission of deliverables:</p> <ul style="list-style-type: none">- March 4, 2021 – deadline for submission of a draft risk assessment to the Division;- The Division's review and comment period for the risk matrix – within one week;- One week after the Division provides comment on the draft, but no later than March 31, 2021 – submission of the final risk assessment to the Division and Treasury;- March 31, 2021 – submission of a draft quarterly report to the Division;- The Division's review and comment period for the quarterly report – within one week; and- April 15, 2021 – submission of the final quarterly report to the Division and Treasury.
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Specifically, K2 interviewed the Chief Financial Officer and Grants Manager for DOS, the Director of DOE, and the Information Technology Specialist for DOE. - Conducted interviews with the appropriate personnel for each of seven counties to understand the county's role and understanding of the Grant Program. In each county selected for review, the interviews included representatives of all agencies that are responsible for conducting elections and that received a portion of the CARES Act funds. The agencies entrusted with this responsibility vary among the counties; counties use either a Board of Elections, the County Clerk, or a Superintendent of Elections, or a combination of such agencies. In keeping with the protocol applicable to these quarterly IOM reports for CARES Act engagements, those counties will not be referred to here by name, but rather will be identified by anonymous numbers. Specifically, K2 interviewed representatives of the Board of Elections, the County Clerk, and the Superintendent of Elections for County #1; the County Board of Elections and the County Clerk for County #2; the County Board of Elections for County #3; the County Superintendent of Elections for County #4; the County Clerk for County #5; the County Board of Elections and the County Clerk for County #6; and the County Board of Elections and the County Clerk for County #7. - Conducted a system walkthrough of the New Jersey Comprehensive Financial System ("NJ CFS") and the related internal Business Object Reports program via "SAP" to better understand the financial summary of the Grant Program, searches used to locate disbursements, and the query database of all grant program financial reporting. - Reviewed relevant grant program documentation including, but not limited to, MOUs, policies and procedures, grant guidelines, and grant application checklist, outlining program eligibility. - Based on the interviews conducted and the documents reviewed, K2 developed a detailed risk and controls matrix identifying the key processes, risks, controls to mitigate such risks, and recommendations. This information was then used to prepare the draft risk matrix deliverable. We also used this information to assess the residual risk associated with the Division's grant management operations. - As part of the risk assessment, several aspects of the grant's management processes received a moderate to high-risk rating and were selected for transaction testing / monitoring activities (Refer to Section 19 below for areas selected for testing). For each of these areas, K2 prepared a detailed testing sheet, including the relevant control attributes subject to testing. - Reviewed the most recent grant report and related transaction details and performed completeness check against source data evidencing grant disbursements. From the transaction details for the Grant Program, K2 selected a risk-based sample of transaction from selected counties for testing (i.e., based on the value, transaction description, location of county, and the population size of county). - Conducted transaction testing through inquiry, observation, re-performance, and review of documentation supporting grant awards, expenditures, procurement, and financial reporting and assessed whether there were any potential exceptions. - Conducted follow-up interviews with Jacqueline Kemery and Brittany Giampola to understand whether there were explanations for any potential exceptions. <p>A draft risk assessment was provided to the Division on March 4, 2021. Prior to the submission of the draft, a version of it was discussed with the Division, and that discussion was taken into account in the March 4, 2021 draft provided to the Division. On March 17, 2021, the Division informed K2 that it had no comments on the draft risk assessment provided to the Division on March 4, 2021. The final risk assessment was provided to the Division and Treasury on March 24, 2021.</p> <p>A draft quarterly report was provided to the Division on March 30, 2021. K2 received comment from the Division, and took that into account in producing this final version of the Q-1 quarterly report.</p>
15.	Brief description to confirm appropriate data/information has been provided by recipient and what activities have been taken to review in relation to the project/contract/program.	<p>As part of the transaction testing and monitoring activities, K2 reviewed information obtained by the Division from the counties. Such information included, but is not limited to, reimbursement applications, detailed summary sheets, proof of receipts of Grant Program funds, and various supporting documents (i.e., purchase orders, invoices, etc.). K2 interviewed several individual counties to validate the information provided to and from the Division.</p> <p>Please see sections 18 and 19 below to review the specific activities completed in conjunction with the testing of the Grant Program.</p>

16.	Description of quarterly auditing activities that have been conducted to ensure procurement compliance with terms and conditions of the contracts and agreements.	<p>The Division has implemented written procurement policies and procedures which are aligned with Executive Order 166 and related COVID procurement guidelines. The Division follows the Delegated Purchasing Authority's ("DPA") Circular and the New Jersey Administrative Code ("N.J.S.A 52.34"). The following is a summary of the key aspects of the Divisions procurement guidelines:</p> <ul style="list-style-type: none"> - Use of defined contracting methods is required for purchases greater than or equal to \$44,000, \$100,000 in a declared emergency situation. (i.e., current State contract, State Distribution and Support Services Center, Bureau of State Use Industries, and Central Non-profit Agency) - Three written quotes are required for all contracts between \$17,500 and \$44,000. - Three quotes are required for contracts between \$1,000 and \$17,500. <p>The Division did not procure any contracts with the CRF grant funds.</p> <p>Procurement guidelines apply to all counties but will vary by each county. All counties must comply with state and federal procurement requirements, including but not limited to, competitive solicitation and public advertisements. The counties' procurement policies are required only to meet these broad guidelines.</p> <p>The Division did not require the counties to provide information about their procurement of goods or services with the reimbursement applications. However, the counties were notified to retain all documents relating to any contracts procured and reimbursed through the Grant Program. K2 did not review a risk-based review of sampled procurement activities sampled by the counties. Instead, K2 interviewed all counties selected for sampling, regarding their procurement policies and guidelines received from the Division. All counties confirmed that they follow the DPA Circular and N.J.S.A 52.34.</p>
17.	Has payment documentation in connection with the contract/program been reviewed? Please describe	<p>K2 reviewed documentation supporting the expenditures of grant funds for office staff overtime, temporary staff hours and overtime, vendor expenses, supplies and equipment, and office space rental. This included, but was not limited to, grant applications, proof of payment, payroll reports, vendor invoices and purchase orders, and lease agreements.</p> <p>Please see sections 18 and 19 below to review the specific activities completed in conjunction with the testing of the Grant Program.</p>
18.	Description of quarterly activity to prevent and detect waste, fraud and abuse.	<p>K2 conducted an initial risk assessment, as well as detailed transaction testing to identify potential program compliance issues and any potential fraud, waste, and abuse. Please see section 14 above to review the project description and specific activities completed in conjunction with the completion of a risk assessment for and monitoring the Grant Program. In addition, see section 19 below for a description of findings.</p> <p>K2's testing in conjunction with the Grant Program is outlined below:</p> <p>K2 selected a risk-based sample of cost-categories (i.e., office staff overtime, temporary staff hours and overtime, vendor expenses, supplies and equipment, and office space rental) from a sample of seven counties for testing.</p> <p>Specifically, the following attributes were tested: proper approval signatures on applications, tying summary sheets to the applications, proof of payment, payment amount agrees to the approved applications, proper supporting documents for staff hours (i.e. payroll records, timesheets, etc.), proper supporting documents for vendor, supplies, and equipment expenses (i.e. purchase order, invoices, etc.), duplication of benefits, validity of costs, and if costs are allowable and in-line with grant guidelines (if applicable).</p>

A selection of counties for testing was based on a risk-based approach. Specifically, the following testing criteria was utilized:

- Amount of reimbursement request(s) (or total expenditures);
- Multiple submissions of applications for reimbursement to ensure testing of duplication of benefits costs;
- Size of the county (by population) to ensure coverage of small, medium, and large counties;
- Geographic location within the State of New Jersey (i.e. North, Central, South); and
- Submissions with different cost categories – office staff overtime, temporary staff hours and overtime, vendor expenses, supplies and equipment, and office space rental – for a diverse testing population.

Using the criteria outlined above, K2 selected the following counties for testing:

1. County #1 – largest county by population located in Northern New Jersey, submitted three (3) applications for reimbursement for a total reimbursement of \$4,653,489. Of the sampled cost categories, K2 tested 14% of office staff overtime, 16% of temporary staff hours and overtime, and 65% of vendor expenses.
2. County #2 – small county by population located in Southern New Jersey, submitted one (1) application for reimbursement for \$421,943. Of the sampled cost category, K2 tested 37% of temporary staff hours and overtime.
3. County #3 – second largest populated county located in Northern New Jersey, submitted three (3) applications for reimbursement for a total reimbursement of \$3,473,212. Of the sampled cost categories, K2 tested 98% of vendor expenses and 100% of office space rental expenses.
4. County #4 – small county by population located in Southern New Jersey, submitted three (3) applications for reimbursement for a total reimbursement of \$671,542. Of the sampled cost category, K2 tested 30% of office staff overtime.
5. County #5 – medium county by population located in Central New Jersey, submitted two (2) applications for reimbursement for a total reimbursement of \$920,013. Of the sampled cost category, K2 tested 85% of vendor expense.
6. County #6 – medium county by population located in Northern New Jersey, submitted one (1) application for reimbursement for \$1,355,109. Of the sampled cost category, K2 tested 62% of vendor expenses.
7. County #7 – medium county by population located in Central New Jersey, submitted one (1) application for reimbursement for \$2,376,665. Of the sampled cost category, K2 tested 7% of office staff overtime.

Specifically, of the \$14,992,447 reimbursed to the seven (7) sampled counties, K2 selected the following risk-based sample of cost categories, comprised of \$7,109,622, or approximately 47% of the reimbursements to the sampled counties:

1. Office Staff Overtime – seven (7) individuals over three (3) pay periods from County #1, two (2) individuals over eight (8) pay periods from County #4, and 18 individuals over five (5) pay periods from County #7.
2. Temporary Staff Hours and Overtime – 14 individuals over one (1) pay period from County #1, and seven (7) individuals over three (3) pay periods from County #2.
3. Vendor Expense – five (5) transactions from County #1, four (4) transactions from County #5, and four (4) transactions from County #6.
4. Supplies and Equipment Expenses – 11 transactions from County #3.
5. Office Space Rental Expenses – one (1) transaction from County #3.

With respect to financial reporting, K2 completed the following testing attributes:

1. Agreed the beginning balance of the funding source account set up by the New Jersey Office of Management and Budget ("NJ OMB") to the amounts allocated by Treasury;
2. Verified that the disbursements of the funds from the established grant program account agree to the amounts reimbursed to the individual counties; and
3. Verified that the CRF final reports agree to the funding source account and disbursement reports.

In addition to the transaction testing, K2 interviewed representatives of the seven counties mentioned above. The Division reached out to the seven counties on February 24, 2021, notifying them of K2's role and that they were selected for testing and monitoring. K2 contacted all seven counties and interviewed them between February 24, 2021 and March 10, 2021. The counties also provided K2 with proof of payment of the grant funds and other supporting documentation as outlined in section 19 below.

19.	Provide details of any integrity issues/findings	<p>Based on the procedures performed, as outlined in sections 14 and 18 above, K2 made the following observations.</p> <p>With respect to the testing of Office Staff Overtime, K2 identified the following concerns and notified the Division of them:</p> <ul style="list-style-type: none"> - County #1's supporting spreadsheet, detailing the office staff overtime hours appears to have calculation errors; K2's recalculation indicated that the spreadsheet contained an over-calculation in the amount of \$17,864. K2 is unable to verify the completeness or accuracy of the spreadsheet. - Besides County #1's supporting spreadsheets, no other support was included with the reimbursement applications. K2 interviewed representatives of County #1 and requested additional support, i.e., timesheets and payroll records, for three (3) of the seven (7) selected individuals. County #1 provided the requested documents to support their reimbursement request. The Division should request timesheets and payroll records to include as support in the reimbursement applications. - County #4 provided a spreadsheet detailing the pay periods, regular and overtime hours worked, regular and overtime rate of pay, gross payroll amounts, and check number to support the office staff overtime hours. No other support (i.e., timesheets, payroll records, proof of payment, etc.) was included in the reimbursement applications. K2 interviewed representatives of County #4 and requested additional support, i.e., timesheets and payroll records, for the two (2) individuals. County #4 provided the requested documents to support their reimbursement request. The Division should request timesheets and payroll records to include as support in the reimbursement applications. - County #4's reimbursement request included \$4,868 apparently identified as regular time worked. According to the grant guidelines, regular hours worked by office staff is not reimbursable. The Division should review these costs and claw-back the funds if the costs are not in accordance with the grant guidelines. - County #7's reimbursement request only included direct payroll program support for one (1) of the five (5) sampled pay periods included in the application. K2 interviewed representatives of County #7 and requested additional support, i.e., timesheets and payroll records, for the two individuals from the missing pay periods. County #7 provided the requested documents to support their reimbursement request. The Division should request timesheets and payroll records to include as support in the reimbursement applications for all transactions. <p>With respect to the testing of Temporary Staff Hours and Overtime K2 identified the following concerns and notified the Division of them:</p> <ul style="list-style-type: none"> - County #1's supporting documentation only includes the gross payroll amounts, and is missing information such as, pay periods, regular and overtime hours worked, regular and overtime rate of pay, and payment information. K2 interviewed representatives of County #1 and requested additional support, i.e., timesheets and payroll records, for two (2) of the 14 selected individuals. County #1 provided the requested documents to support their reimbursement request. The Division should request timesheets and payroll records to include as support in reimbursement applications. - County #2's supporting documentation only includes the gross payroll amounts and payment check numbers, and is missing information such as, pay periods, regular and overtime hours worked, and regular and overtime rate of pay. K2 interviewed representatives of County #2 and requested additional support, i.e., timesheets and payroll records, for three (3) of the seven (7) sampled individuals. County #2 provided the requested documents to support their reimbursement request. The Division should request timesheets and payroll records to include as support in reimbursement applications. <p>With respect to the testing of Vendor Expenses, K2 identified the following concerns and notified the Division of them:</p> <ul style="list-style-type: none"> - For County #1, one (1) of the sampled invoices potentially included costs that are not related to COVID. The total cost for purchase order #191497 is \$1,189,895. There are notes and highlighted amounts on the purchase order and invoices stating that of the \$1,189,895, only \$1,011,411 is related to COVID. If the remaining \$178,484 is not related to COVID, it should not be reimbursed. However, the reimbursement includes the full purchase order value of \$1,189,895. The Division was notified of this exception and has informed K2 that it is following up with the county to get further clarification. - For County #5's sampled transactions, three (3) invoices did not include complete supporting documentation to substantiate reimbursed expense(s). K2 interviewed representatives of County #5 and requested additional support, i.e., complete records of purchase orders, invoices, and quotes (if applicable), for one (1) of the invoices. County #5 provided the requested documents to support their reimbursement request. The Division should request a complete record of purchase orders, invoices, and quotes (if applicable) to include as support in reimbursement applications. <p>With respect to the testing of supplies and equipment, K2 identified the following concerns and notified the Division of them:</p> <ul style="list-style-type: none"> - County #3's application included a reimbursement request of \$603,722, which the supporting schedule showed a total of \$836,781 of costs. County #3 provided additional support to explain the difference. The Division should request complete back-up documentation for reimbursement requests for supplies and equipment, to include as support in reimbursement applications. - For County #3, six (6) of the 11 transactions did not include supporting documentation. K2 interviewed representatives of County #3 and requested additional support, i.e., purchase orders, invoices, for two (2) of the 11 selected transactions. County #3 provided the requested documents to support their reimbursement request. The Division should request complete back-up documentation for reimbursement requests for supplies and equipment, to include as support in reimbursement applications. <p>With respect to Office Space Rental. K2 noted no exceptions.</p>
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		<p>K2 also reviewed sampled application reimbursements for duplicate submissions. K2 did not note any duplicate amounts among their sampled selection.</p> <p>K2 made the Division aware of all of the exceptions noted above. The Division has informed us that it has taken these findings into account as it begins designing a new system of controls to mitigate the likelihood and impact of such risks in future grant programs administered through the Division.</p> <p>Specifically, the Division intends to implement a new grant program process to mitigate the likelihood and impact of such risks for future grant programs administered through the Division via uniform practices including but not limited to:</p> <ul style="list-style-type: none">- The creation of a new internal operating procedure known as "Processing of Grants - Division of Elections";- The creation of a "Duplication of Benefits Communication" form to identify concurrent grant program sources and to prevent the duplication of payments;- Requiring grant sub-recipients to execute a Grant Agreement Document ("GAD") to memorialize sub-recipients' responsibilities under the grant program as well as the applicable terms and conditions, and to aid the Division in maintaining summary information regarding the grant award, nature and purpose of the program funds, and any restrictions or regulations associated with such funds;- Implementing a Payment Voucher ("PV") form to certify the information requested for payment is accurate;- Requesting receipts and other support for the use of funds;- Within the Division, enhancing the internal supervisory review and approval process and oversight, including Quality Control ("QC") reviews;- The creation of a "Grant Award Letter" to enhance communication between the Division and grant subrecipients and confirm the terms and conditions applicable to the grant; and,- Requiring counties to submit a close-out narrative within 30-days of receiving the grant funds. <p>Additionally, the Division communicated that they would add the following procedures to the grant program process:</p> <ul style="list-style-type: none">- The GAD will include claw-back language, informing counties that funds may need to be returned, in the event of an inconsistencies found due to an audit;- The GAD will incorporate the terms and conditions of the grant program;- Cancelled checks, or documentation deemed by the Division to be the equivalent, will be required for proof of payment;- Specific supporting documentation will be required when submitting reimbursement applications to provide proof of expense(s) for each expense category (i.e., direct payroll program summary documentation for overtime or temporary staff expense reimbursements, signed purchase orders and initial vendor quotes for vendor expense reimbursements, and lease agreement contracts and/or billings for space or office rental expense reimbursements); and,- Formal Grant Program training will be provided to sub-recipients. <p>As discussed in the risk assessment, if fully implemented in connection with future grants, the new procedures are reasonably designed to address the issues discussed above.</p>
20.	Provide details on any other items of note that have occurred in the past quarter	N/A - This is the IOM's first quarterly report.
21.	Provide details of any actions taken to remediate waste, fraud and abuse noted in past quarters	N/A - This is the IOM's first quarterly report.
No.	Recipient Data Elements	Response
C. Miscellaneous		
22.	Attach a list of hours (by employee) and expenses incurred to perform your quarterly integrity monitoring review	Paul Ryan - 3.00 hours; Martin Aronchick - 33.50 hours; Yashvi Roy - 82 hours; Salvatore Ubaldini - 80.25 hours; total - 198.75 hours
23.	Add any item, issue or comment not covered in previous sections but deemed pertinent to monitoring program.	Nothing to add here.

Name of Integrity Monitor: K2 Integrity
Date: 4/01/2021
Signature:

Martin C. Aronchick

Name of Report Preparer: Martin Aronchick, Managing Director